Bowling Green Daily News
online edition
www.bgdailynews.com

NAVIGATION MENU

- Home
- Accuweather.com
- Local News
- National Headlines
- Sports
- Features
- Obituaries
- Opinion
- Sound Off
- Archives
- Classified Ads
- Retail Ads
- Contact Us
- About Us
- What's New?
- Subscribe
- Calendar of Events
- Community
- Entertainment
- Photo Gallery

E-MAIL THIS STORY | PRINT THIS STORY

Tobacco buyout rules vary among farmers

By Greg Wells, gwells@bgdailynews.com -- *270-783-3276*

Monday, March 14, 2005

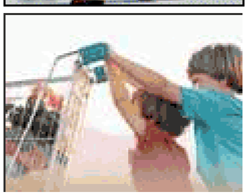
When tobacco buyout sign-ups begin today, farmers may be faced with information they previously were unaware of about the program.

“A lot of growers are thinking they’ll be getting $3 per pound for what they grew each of the three years,” said Robert Simpson, an official with the federal Farm Service Agency, which is tasked with administering the buyout. “They’ll be paid a dollar per year per pound of tobacco that they grew over the three years (that are covered in the buyout).”

Simpson said tobacco farmers who grew all three years would receive the $3-a-pound figure that has been publicized.

“I’ve seen it explained three times and without sitting here and looking at the forms, I couldn’t explain it to you,” said Simpson, chief of the tobacco program for the FSA in Kentucky. “Each year of the program has different calculations involved.”

He also stressed that payouts will be stretched over 10 years.



A farmer who owns a tobacco quota will receive $7 a pound based on what was assigned to the farm in 2002 for burley growers and 2001 for the dark tobacco growers, assuming that the person who grew the tobacco took 100 percent of the risk of raising it.

If there were a share arrangement for the risk of growing the tobacco, the payments will be divided proportionally. Informal arrangements will have to be supported by affidavits.

“There are lots of different situations,” said Misty Jones, deputy director of the tobacco division for the national FSA office in Washington, D.C.

Poundage for burley quotas is calculated differently from dark tobacco quotas.

The calculation for growers’ allotment is different in 2002, 2003 and 2004, Simpson said.

Calculations for dark tobacco quota is based on 2001, 2002 and 2003’s crop years, according to David Birch, the Simpson County FSA director.

Since quota for the dark tobacco is based on acreage and the payout is based on poundage, yet more calculations are needed. The county average of pounds produced per acre grown in 2001 is used. Then there are additional calculations for over and under marketings, the effects of crop damage and other concerns.

All the experts agreed that the only way to find out how it will work for an individual farmer is to get into the local FSA office and talk with them about it.

The start of the sign-up period begins today and ends June 11, but patience is advised by all, especially at the beginning, as part of the confusion has stemmed from the amount of time the local officials have had with the particulars of the program.

The schedule for training the FSA's county directors on how the program will work only started in the first weeks of this month.

But some things are simple and to the point.

"If you don't sign up, you don't get the money," warned Jeff Houchins, Barren County's FSA director. "The tobacco program we've had for years is over. On Sept. 30, 2005, the old program ends completely."

That means there will be no controls on the amount of tobacco grown and no guarantees on the prices that growers will receive, he said.

The program requires that for a lease owner to qualify for the payments, he must have owned the farm the lease is attached to on Oct. 24.

Farmers should have the first of their checks by Sept. 30, according to Jeff Hall, state director of the FSA.

"July checks are a possibility," he said.

Those checks won't be in the mail, though.

"All the payments will be made by direct deposit," Houchins said.

What people are calling the lump sum will be available beginning with the second payment Jan. 1 and is done through a successor in interest agreement, Houchins said.

"Banks could give farmers a pretty good deal," Hall said. "You had better shop around, though. Regulations will be out soon, so the banks will be able to understand the rules."

Hall said the paperwork to participate in that program won't have to be in until Nov. 1 this year.

A program available for the first payment, and if desired, subsequent payments, allows payment to be “assigned” to someone they specify, Houchins said.

There are tax issues to be considered in all of this, Hall pointed out.

For producers, taxes on the payments will be calculated as if they were income, Houchins explained. Quota owners will pay capital gains taxes on the money they receive, he added.

Exactly how that will work isn’t known at this point, even by the Internal Revenue Service.

Pat Brummer, a spokesperson for the IRS in Indianapolis, said that agency won’t have guidance available on those issues for several months, since the income isn’t reported until the end of the year.

Farmers have to sign up for the program in the county in which the tobacco is grown. It’s up to each office how sign-ups are handled.

Warren County FSA Executive Director Donald Dunn has four meetings scheduled to explain the program to those affected in Warren County. The first one will be at 7 p.m. Thursday at the Richardsville Volunteer Fire Department.

Houchins already had his county meeting at the Cave City Convention Center last Thursday night, but there will be another in April.

Birch said the Simpson County meeting is Wednesday in the agriculture building at the community park in Franklin.

Houchins’ office is not scheduling any meetings right away, so his staff can start working up all the information they will need.

“It’s not gonna be easy,” Simpson said. “This is not a situation where you can walk in, sign a piece of paper and walk out.”

He said that for those who lease their quota, the paperwork may take as little as 10 minutes, or just 25 minutes if they grow their own quota.

— A toll-free call center went into service March 1 and can be reached at (866) 887-0140. The Farm Service Agency Web site for this information is www.fsa.usda. gov/tobacco.

Daily News · 813 College St. · PO Box 90012 · Bowling Green, KY · 42102 · 270-781-1700